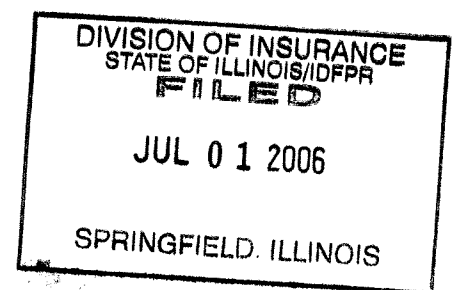


**PROFESSIONAL SOLUTIONS
INSURANCE COMPANY**
STATE OF ILLINOIS
PHYSICIANS AND SURGEONS
PROFESSIONAL LIABILITY MANUAL
CLAIMS MADE COVERAGE



hyperledger
3-19-07

JUL 01 2006

SPRINGFIELD, ILLINOIS

I. APPLICATION OF THIS MANUAL-ELIGIBILITY

This claims made program covers Physicians and Surgeons engaged in the rendering of professional services specific to their disciplines. Refer to the classification plan on page 9 for a description of each risk/rating category for physicians, surgeons.

Employees of health care professionals are also included as insureds for their acts while performing duties within the scope of their discipline while under the direction and supervision of the insured named in the coverage summary. Refer to page 11 for a listing of the ancillary employees who will be charged an additional premium for a separate limit of liability.

This program also provides coverage for both medical clinics and individual practicing physicians for the liability exposure of a partnership, corporation or professional association on either a separate or shared limit basis. Refer to the partnership, corporation or professional partnership section on page 11 for a description of the corporation rating factors.

II. PREMIUM DETERMINATION

1. Determine the base rate for the appropriate policy type and territory.
2. Refer to Classification Listing and apply the factor for the most appropriate class specialty being rated.
3. Apply the appropriate increase limit factor.
4. Apply the appropriate claims made step factor to reach the undiscounted premium.
5. Apply credit, if necessary, for new practitioner or part-time status (no further credits available, except for Size of Risk Credit).
6. Apply any credits for scheduled or experience rating.
7. Apply rounding.
8. Example Premium Calculation:

Assume the full time undiscounted premium is \$1,000 and no new practitioner or part-time status applies. Additional credits or debits will be applied in consecutive order.

\$1,000 x .95 = \$950.00 (Schedule rating credit of 5%)

\$950.00 x .95 = \$902.50 (Size of risk credit of 5%)

\$902.50 = \$903.00 (Apply rounding)

III. POLICY PERIOD

The policy period shall be for a one-year term, unless in the middle of a claims made year.

In this instance, a short-term policy may be issued to expire on the member's original expiration date.

The policy period next following will be for one year.

IV. WHOLE DOLLAR PREMIUM RULE

All premiums shown on the policy and endorsements shall be rounded to the nearest whole dollar. If the premium is .50 or greater, round to next higher whole dollar. If the premium is .49 or less, round down. In the event of cancellation, the return premium shall be rounded to the nearest whole dollar. Rounding is the last step of the premium calculation.

Example: \$1,234.30 is rounded to \$1,234.

\$1,234.60 is rounded to \$1,235.

V. PRACTICE LOCATION

Practitioners who conduct a percentage of their practice located in another state or territory will be assessed additional premium, based upon the percentage of time spent in the other state or territory.

- A. For insureds who practice in multiple states, the location of their primary practice will determine the base rate, with a premium debit of 25%, to be applied, based on their practice in the secondary state. The 25% debit will not be applied if the primary state's base rate is higher.
- B. If more than one location of practice exists within the same state, the rate from the highest territory will be applied.
- C. The insured must be licensed in all states where practicing.

DIVISION OF INSURANCE
STATE OF ILLINOIS/IDFPR
FILED

JUL 01 2006

SPRINGFIELD, ILLINOIS

VI. POLICY CANCELLATION

A. Cancellation By the Insured

The insured may cancel the policy by mailing or delivering notice to the Company stating when such cancellation shall be effective.

This policy will remain in full force and effect until its regular anniversary date unless the policy is cancelled sooner by the Company in accordance with the laws of the State of Illinois.

If the insured cancels the policy, earned premium shall be computed in accordance with the standard short rate tables and procedure. If the Company cancels the policy, earned premium shall be computed pro rata.

B. Cancellation/Non-Renewal By the Company

The Company may cancel or non-renew the policy in accordance with the insurance laws of the State of Illinois. Standard cancellation notice will be sent 60 days prior to cancellation, except that in the event of non-payment of premium, then not less than ten (10) days prior notice will be given.

VII. PREMIUM PAYMENT OPTIONS

1. Annual
2. Semi-Annual 50% prepayment required
3. Quarterly 25% prepayment required as the initial down payment with remaining payments of 25% each due at 3, 6 & 9 months after policy inception
4. Other payment options available upon request for large group accounts.

There is no installment fee charge or interest charged for utilizing the premium payment options. Additional premiums for policy changes occurring during the current policy term shall be computed pro rata of the annual premium. If there are no remaining installments, additional premium resulting from changes in coverage may be due immediately as a separate transaction.

VIII. RENEWALS

The policy will be renewed upon receipt of the required premium on or before the date of each successive policy period. The renewal premium shall be based on rates in effect on the renewal or anniversary date. The applicable forms and endorsements must be made a part of the policy. **IX. SPECIAL PROVISIONS**

A. Retroactive Coverage

This extension covers incidents which occurred subsequent to the prior carrier's retroactive date, but which are neither known nor reported as of the inception date of the replacement coverage written by Professional Solutions Insurance Company. The insured may apply for the Retroactive Date (shown on the Coverage Summary) that is equal to the retroactive date shown on the previous policy.

Premium for this extension is derived by rating the policy based upon the claims made step factor determined by using the previous carrier's retroactive date.

DIVISION OF INSURANCE
STATE OF ILLINOIS/IDFPR
FILED

JUL 01 2006

SPRINGFIELD, ILLINOIS

B. Basic Reporting Extension

This provision applies when coverage under the policy ends, either by action of the insured or the Company through cancellation, termination or non-renewal.

Under the circumstances stated above, the Company will provide a thirty (30) day Basic Reporting Extension which allows claims to be reported during this time that result from incidents that happened during the time the coverage was in force. The thirty (30) day Basic Reporting Extension does not apply if the insured purchases any subsequent insurance that replaces in whole or in part the coverage provided by this policy.

Within thirty (30) days of when the policy coverage terminates, the Company must advise the insured of the availability of Extended Reporting Coverage, the premium cost, and the importance of buying this additional coverage extension, commonly called "Tail Coverage".

The insured will have the greater of sixty (60) days from the date the coverage is terminated, or thirty (30) days from the date of notice, to accept the Extended Reporting Coverage in writing.

C. Extended Reporting Coverage, also called Tail Coverage

Extended Reporting Coverage will be provided for an unlimited time period with aggregate liability limits equal to or less than those of the expired coverage to report claims which arose from incidents that occurred when the coverage was in force. The liability limits provided by this option are the only limits that shall be applicable to the unlimited time period designated above. Extended Reporting Coverage can be applied to individual or entity policies.

The following factors will be applied to the undiscounted mature claims made premium in effect at the time the policy is terminated to calculate the extended reporting endorsement premium:

<u># of Years Completed in Claims Made Program</u>	<u>Tail Factor</u>
1	0.92
2	1.43
3	1.70
4+	1.87

Professional Solutions Insurance Company cannot cancel the Extended Reporting Coverage except for non-payment of the additional premium.

The Company provides Extended Reporting Coverage automatically, at no additional charge, under the following circumstances:

1. The insured dies; or
2. The insured becomes permanently disabled and is unable to continue their duties as a licensed insured; or
3. The insured retires. The insured must be age fifty-five (55) or older and have five (5) years of continuous coverage with Professional Solutions Insurance Company in order to qualify for free Extended Reporting Coverage.

D. Change in Rating Classification

In the event of a change in exposure or medical specialty of the practitioner, a charge reflecting the difference between the previous and such new exposure or specialty shall be calculated and collected at the time of such change unless:

1. otherwise eligible for Extended Reporting Coverage at no charge;

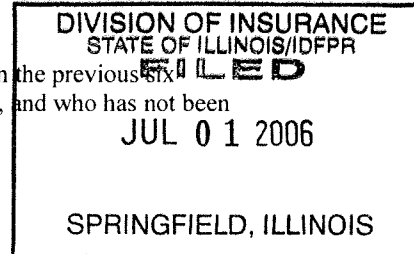
2. with regard to medical specialty, both the prior and the current specialty fall within the same class;
3. the exposure or medical specialty of the practitioner changed more than 4 years prior while insured under claims made coverage; or
4. the exposure or medical specialty of the practitioner changed while insured under occurrence coverage.

E. New Practitioner

A new practitioner is defined as a person who has completed his or her training within the previous six months, whose only contact with patients has been in the course of his or her training, and who has not been previously insured by Professional Solutions Insurance Company.

1 st year	50% credit
2 nd year	30% credit
3 rd year	10% credit

Those who receive a new practitioner credit will not be eligible to receive any further credits, except for Size of Risk.



F. Part-Time Practitioner

A practitioner must practice 20 hours or less per week to become eligible for this credit. The insured must complete an application for part-time credit. If the application is approved, credits will be given by year according to the following schedule:

1 st year	20% credit
2 nd year	30% credit
3 rd year	40% credit
4 th year	50% credit

Those who receive a part-time practitioner credit will not be eligible to receive any further credits, except for Size of Risk.

G. Locum Tenens

Locum Tenens working in the place of an insured shall be provided coverage at no additional premium, for a period not to exceed forty-five (45) days per policy term. A completed application must be submitted to the company for prior underwriting approval.

X. SCHEDULED RATING

Professional Solutions Insurance Company will use the following schedule of modifications to determine appropriate premiums for certain insureds, or groups of insureds, who in the opinion of Professional Solutions Insurance Company uniquely qualify for such modifications because of factors not contemplated in the filed rate structure of the company.

The premium for a risk may be modified in accordance with the following, subject to a maximum modification of a 15% credit to a 40% debit to recognize risk characteristics that are not reflected in the otherwise applicable premium. All modifications applied under this scheduled rating plan are subject to periodic review. The actual determination of the appropriate credit or debit will be determined through the underwriting review of the applicant's application.

1. Cumulative Years of Patient Experience:

Insureds who have demonstrated a stable, longstanding practice and/or significant degree of experience in their area of medicine.

2. Classification Differences:

Characteristics of a particular insured that differentiate the insured from other members of the same class, or recognition of recent developments within a classification or jurisdiction that are anticipated to impact future loss experience.

3. Implementation of Loss Control Procedures:

In order to qualify for this credit, the insured must demonstrate that credible loss control procedures have been properly implemented, and that these procedures will reduce the frequency and severity of claims.

4. Number / Type of Patient Exposure:

Size and/or demographics of the patient population, which influences the frequency, and/or severity of claims.

XI. ADDITIONAL CREDITS**Size of Risk Credit**

Insureds who are part of or employees of a professional association, corporation, or other group who become insureds of Professional Solutions Insurance Company shall be eligible for a credit based on the volume of premium brought to Professional Solutions Insurance Company. Insureds may receive this credit in addition to the other individual credits available. The size of risk credit will be applied to the undiscounted, total aggregate premium of the individual insureds, plus the corporation charge.

Premium	Credit
\$100,001 - \$200,000	.50%
\$200,001 - \$300,000	1.0%
\$300,001 - \$400,000	1.5%
\$400,001 - \$500,000	2.0%
\$500,001 - \$600,000	2.5%
\$600,001 - \$700,000	3.0%
\$700,001 - \$800,000	3.5%
\$800,001 - \$900,000	4.0%
\$900,001 - \$1,000,000	4.5%
over \$1,000,000	5.0%

XII. EXPERIENCE RATING

JUL 01 2006

SPRINGFIELD, ILLINOIS

Claims free credits

A claims free credit of 5% shall apply if the insured has achieved five (5) years without a claim, defined as \$10,000 of incurred indemnity.

Claims debits**Claim debit factors – individual policy:**

<u># OF CLAIMS IN 5 YEARS</u>	<u>FACTOR</u>
1	1.000
2	1.500
3	2.500

Claim debit factors – partnership/corporate policy:

<u># OF CLAIMS IN 5 YEARS</u>	<u>FACTOR</u>
1-2	1.000
3-4	1.500

The debit will not be based on an action that was filed or settled more than five (5) years immediately preceding the issuance or renewal of the policy.

Documentation, including copies of judgments, awards or stipulations of settlement will be requested and reviewed where available.

To obtain and verify experience applicable to each prospective insured, the Company will seek claim information from:

- The applicant
- The agent or broker
- All previous insurers with respect to the experience period in question.

XIII. ENDORSED COVERAGES-Coverage Options**Partnership, Corporation or Professional Association With Shared Limits of Liability Endorsement-Form PSIC-CM-02**

This endorsement provides a shared limit of liability to a partnership, corporation or professional association. Coverage is provided only to the extent of the entity's liability for the providing of professional services within the scope and course of employment by a person included within the definition of "Persons Insured" under the policy.

Partnership, Corporation or Professional Association With Separate Limits of Liability Endorsement-Form PSIC-CM-03

This endorsement provides a separate limit of liability to a partnership, corporation or professional association. Coverage is provided only to the extent of the entity's liability for the providing of professional services within the scope and course of employment by a person included within the definition of "Persons Insured" under the policy.

DIVISION OF INSURANCE
STATE OF ILLINOIS/IDFPR
FILED

JUL 01 2006

SPRINGFIELD, ILLINOIS

Additional Insured Endorsement-Form PSIC-CM-05

This endorsement provides coverage for an additional insured. This is an optional endorsement. The charge for this endorsement will be 15% of the base corporation/partnership premium.

Temporary Leave of Absence Endorsement-Form PSIC-CM-06

This endorsement may be utilized if an insured must take a leave of absence from their practice. Insureds who become disabled or take a leave of absence shall become eligible for suspension of coverage at a rate reduction of 90% of the otherwise applicable rate for the period of disability or leave of absence. The period must extend for a minimum length of sixty (60) days or more up to a maximum of one hundred eighty (180) days or until renewal. The lower premium will apply retroactively to the first day of the disability or leave.

This option provides continued protection to the provider who experiences a temporary interruption in his or her practice (subject to the stated eligibility requirements), for claims arising from acts, errors or omissions which occurred prior to the inception of the disability or leave. There is no coverage for acts, errors or omissions during the leave or disability period. Because the policy does not cancel, there is no need for the purchase of Extended Reporting Coverage (Tail).

If disabled, proof of disability must be submitted to the Company for approval, and the calculation of the credit will be on a pro rata basis for the period of the qualifying disability.

While on disability or leave, credit toward extended reporting vesting will continue to accrue, and the insured must continue to pay premiums when due.

Eligible Situations For Temporary Leave of Absence: Short-Term Disability, Maternity Leave, Military Leave or any other reason pre-approved by Professional Solutions Insurance Company – Does not apply to vacations

Extended Reporting Endorsement-Form PSIC-CM-07

This endorsement provides coverage for an unlimited time period with aggregate liability limits equal to or less than those of the expired coverage to report claims, which arose from incidents that occurred when the coverage was in force. The liability limits provided by this option are the only limits that shall be applicable to the unlimited time period designated above. This endorsement can be applied to group or entity policies.

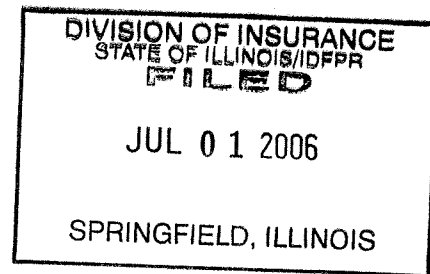
Medical Laboratory Endorsement-Form PSIC-CM-10

This endorsement provides a shared limit of liability to a medical laboratory facility. The premium for the endorsement is based on the following:

- a. at no additional charge if such laboratory is not a separate entity. Coverage is limited to the testing of the insured's own patients.
- b. as an additional insured at 25% of the mature Class 1 rate, if such laboratory is a separate entity. Coverage is limited to the testing of the insured's own patients.

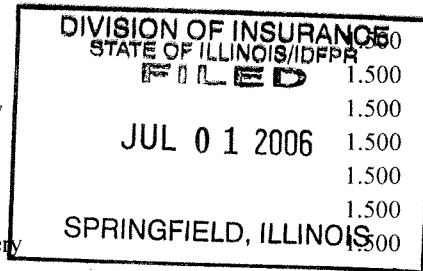
Specialty Classification Amendment Endorsement-Form PSIC-CM-11

This endorsement will be attached to the policy if the insured amends their medical specialty during the policy period. This endorsement will extend coverage for claims that are reported under the insured's previous medical specialty. The premium will be adjusted based on the change of the specialty classification.

**XIV. Classification Plan – Refer to rate sheet for base rate information.**

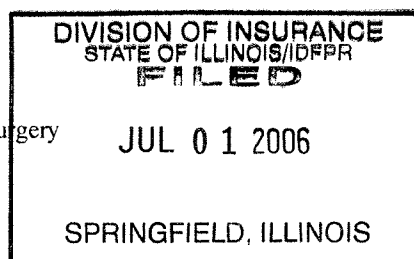
ISO		Class	Description	FACTOR
Specialty Codes				
<u>M.D.</u>	<u>D.O.</u>			
80230		1	Aerospace Medicine	0.650
80254		1	Allergy/Immunology	0.650
80256		1	Dermatology - No Surgery	0.650
80240		1	Forensic Medicine	0.650
80248		1	Nutrition	0.650
80233		1	Occupational Medicine	0.650
80263		1	Ophthalmology - No Surgery	0.650
80235		1	Physiatry/Physical Medicine	0.650
80231		1	Preventive Medicine - No Surgery	0.650
80251		1	Psychosomatic Medicine	0.650
80236		1	Public Health	0.650
80237		2	Diabetes No Surgery	0.850
80238		2	Endocrinology - No Surgery	0.850
80243		2	Geriatrics - No Surgery	0.850
80244		2	Gynecology - No Surgery	0.850
80260		2	Nephrology - No Surgery	0.850
80262		2	Nuclear Medicine	0.850
80268		2	Physicians - No Surgery N.O.C.	0.850
80995		2	Podiatry - Soft Tissue	0.850
80249		2	Psychiatry including child	0.850
80252		2	Rheumatology - No Surgery	0.850
80255		3	Cardiovascular Disease - No Surgery	1.000
80420		3	Family Phys. Or Gen. Prac. - No Surgery	1.000
80241		3	Gastroenterology - No Surgery	1.000
80245		3	Hematology - No Surgery	1.000
80246		3	Infectious Diseases - No Surgery	1.000
80258		3	Laryngology - No Surgery	1.000
80259		3	Neoplastic Diseases - No Surgery	1.000
80302		3	Oncology No Surgery	1.000
80264		3	Otology - No Surgery	1.000
80265		3	Otorhinolaryngology - No Surgery	1.000
80266		3	Pathology No Surgery	1.000
80269		3	Pulmonary Diseases - No Surgery	1.000
80247		3	Rhinology - No Surgery	1.000
80257		4	Internal Medicine - No Surgery	1.250
80287		4	Nephrology - Minor Surgery	1.250
80301		4	Oncology - Minor Surgery	1.250
80289		4	Ophthalmology - Minor Surgery	1.250
80114		4	Ophthalmology - Surgery	1.250
80267		4	Pediatrics - No Surgery	1.250
80298		4	Pulmonary Diseases - Minor Surgery	1.250
80281		5	Cardiovascular Disease - Minor Surgery	1.500
80282		5	Dermatology - Minor Surgery	1.500

80271	5	Diabetes - Minor Surgery	1.500
80272	5	Endocrinology - Minor Surgery	1.500
80274	5	Gastroenterology - Minor Surgery	1.500
80276	5	Geriatrics - Minor Surgery	1.500
80277	5	Gynecology - Minor Surgery	1.500
80278	5	Hematology - Minor Surgery	1.500
80279	5	Infectious Diseases - Minor Surgery	1.500
80284	5	Internal Medicine - Minor Surgery	1.500
80285	5	Laryngology - Minor Surgery	1.500
80261	5	Neurology - No Surgery	1.500
80290	5	Otology - Minor Surgery	1.500
80291	5	Otorhinolaryngology - Minor Surgery	1.500
80294	5	Physicians - Minor Surgery N.O.C.	1.500
80253	5	Radiology Diagnostic - No Surgery	1.500
80270	5	Rhinology - Minor Surgery	1.500
80145	5	Urological Surgery	1.500
80151	6	Anesthesiology	1.650
80421	6	Family Phys. Or Gen. Prac.- Minor Surgery	1.650
80283	6	Intensive Care Medicine	1.650
80286	6	Neoplastic Diseases - Minor Surgery	1.650
80288	6	Neurology - Minor Surgery	1.650
80292	6	Pathology - Minor Surgery	1.650
80293	6	Pediatrics - Minor Surgery	1.650
80101	7	Broncho-Esophagology	2.150
80103	7	Endocrinology Surgery	2.150
80104	7	Gastroenterology Surgery	2.150
80105	7	Geriatrics Surgery	2.150
80804	7	Neonatal/Perinatal Medicine	2.150
80108	7	Nephrology Surgery	2.150
80159	7	Otorhinolaryngology - No Plastic Surgery	2.150
80280	7	Radiology Diagnostic - Minor Surgery	2.150
80115	8	Colon and Rectal Surgery	2.500
80106	8	Laryngology Surgery	2.500
80107	8	Neoplastic Surgery	2.500
80164	8	Oncology Surgery	2.500
80158	8	Otology	2.500
80136	8	Radiology Including Radiation Therapy	2.500
80160	8	Rhinology Surgery	2.500
80102	9	Emergency Medicine - No Major Surgery	3.000
80117	9	General Prac. or Family Prac. Surgery	3.000
80143	9	General Surgery	3.000
80169	10	Hand Surgery	3.350
89154	10	Orthopedic Surgery - No Spine	3.350
80155	10	Otorhinolaryngology w/Plastic Surgery	3.350
80166	11	Abdominal Surgery	3.750
80157	11	Emergency Medicine Surgery	3.750
80167	11	Gynecology Surgery	3.750
80170	11	Head and Neck Surgery	3.750
80141	12	Cardiac Surgery	4.500
80150	12	Cardiovascular Disease Surgery	4.500
80154	12	Orthopedic Surgery - Including Spine	4.500
80156	12	Plastic N.O.C. Surgery	4.500
80144	12	Thoracic Surgery	4.500



Version 1.02

80171	12	Traumatic Surgery	4.500
80146	12	Vascular Surgery	4.500
80153	13	Obstetrics Gynecology Surgery	5.500
80168	13	Obstetrics Surgery	5.500
80152	14	Neurology Surgery	6.750



Ancillary Provider Rating:

Ancillary Provider	Separate Limits Factor
Physician Assistant	0.200
Surgical Assistant	0.200
Nurse Anesthetist	0.560
Nurse Practitioner	0.200
Psychologist	0.250
Emergency Medical Technicians/Paramedics	0.300
H/L Perfusionist	0.300
O.R. Technician	0.300
Nurse Midwife No Delivery	0.750
Nurse Midwife Delivery	1.500

XV. Partnership-Corporation-Professional Association Coverage

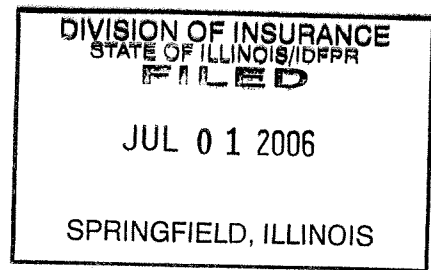
A. Shared Limits of Liability:

Coverage for partnerships, corporations, or professional associations may be written with a shared limit of liability. The premium charge for shared limits will be 5% of the total undiscounted liability premium for all practitioners.

B. Separate Limits of Liability:

Coverage for partnerships, corporations, or professional associations may be written with a separate limit of liability. The premium charge for separate limits will be a percentage of the total undiscounted liability premium for all practitioners. The percentage will vary based on the number of insureds in the corporation.

<u>Number of Insureds</u>	<u>Percent</u>
2-5	15.0%
6-9	12.0%
10-19	9.0%
20-49	7.0%
50 or more	5.0%

**XVI. Rates**

Physicians and Surgeons Mature Claims Made Rate (for Class 3 provider @ 100/300 limits)

<u>Illinois Territory 01 -</u> (Cook, Madison and St. Clair counties)	\$12,110.00
<u>Illinois Territory 02 -</u> (DePage, Kane, Lake, McHenry and Will counties)	\$8,967.00
<u>Illinois Territory 03 -</u> Champaign, Macon, Jackson, Vermillion, Sangamon, DeKalb, Kankakee, LaSalle, Ogle, Randolph, Winnebago and Jackson counties)	\$7,911.00
<u>Illinois Territory 04 -</u> (Remainder of State)	\$5,800.00

Increase limit factors: The applicable limit factor is determined by the chosen limit option on the application.

Limits of Liability	Increase Limit Factors
\$100,000/\$300,000	1.000
\$200,000/\$600,000	1.375
\$250,000/\$750,000	1.500
\$500,000/\$1,000,000	1.875
\$1,000,000/\$3,000,000	2.500
\$2,000,000/\$4,000,000	3.125

Claims-Made Step Factors:

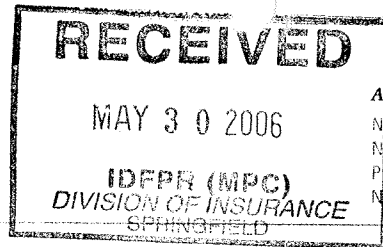
Year	Claims-Made Step Factor
1	0.35
2	0.66
3	0.90
4	0.98
Mature	1.00

6th Month Rule: If the period between the retroactive date and the policy effective date is less than 6 months, rate at year 1. If the period is more than 6 months, rate at year 2, with each of the next consecutive claims made step increases applied at each renewal.



Professional Solutions INSURANCE COMPANY

14001 University Avenue, Clive, Iowa 50325-8258
Local 515-313-4500 FAX 515-313-4476

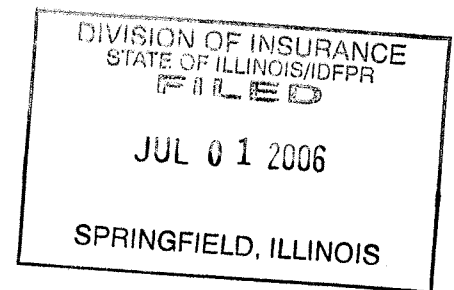


Member of NCMIC Group, Inc.
NCMIC Insurance Company
NCMIC Finance Corporation
Professional Solutions Insurance Company
NCMIC Insurance Services

Date May 25, 2006

Illinois Insurance Division
Property/Casualty Division
VIA U.S. Mail

RE: Professional Solutions Insurance Company
NAIC #: 11127
FEIN #: 42-1520773
Medical Professional Liability - Rate Filing
Filing #: PSIC-MD-2006 Rate
Effective Date: July 1, 2006



To Whom It May Concern:

Professional Solutions Insurance Company (PSIC) currently has on file with the Illinois Insurance Division a claims made professional liability rating manual for our Physicians and Surgeons Program. The Illinois Division of Insurance most recently approved this manual on September 15, 2004 in SERFF Filing SERT-5ZLKAQ639.

At this time, PSIC would like to submit for your review and approval an amended claims made professional liability rating manual to replace the manual currently on file for our Physicians and Surgeons Program. Due to a limited volume of PSIC specific premium and claims experience, we have reviewed the recent Illinois physician's professional liability (PPL) rate filing of the ISMIE Mutual Insurance Company, effective July, 2005. We believe the ISMIE rate filing provides a representative source for PSIC's expected PPL claims experience.

PSIC requests approval of a twenty eight point seven (28.7%) base rate decrease as follows:

Territory I Current Base Rate: \$16,976	Proposed Base Rate: \$12,110
Territory II Current Base Rate: \$12,567	Proposed Base Rate: \$ 8,967
Territory III Current Base Rate: \$11,089	Proposed Base Rate: \$ 7,911
Territory IV Current Base Rate: \$ 8,131	Proposed Base Rate: \$ 5,800

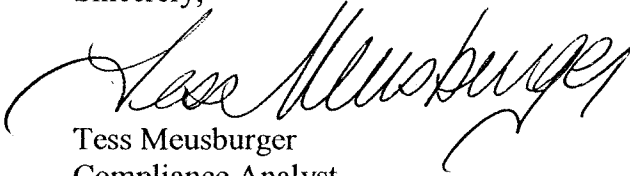
-28.7%

Journal

Journal

We appreciate your review and welcome your questions. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, reading "Tess Meusburger". The signature is fluid and cursive, with a large, sweeping initial "T".

Tess Meusburger
Compliance Analyst
NCMIC Insurance Company
PH: 800-321-7015 Ext. 4644
FX: 515-313-4476
Email: tmeusburger@ncmic.com

Enclosures

PROFESSIONAL SOLUTIONS INSURANCE COMPANY

ILLINOIS PHYSICIANS PROFESSIONAL LIABILITY ACTUARIAL ANALYSIS OF PROPOSED RATE LEVELS EFFECTIVE JUNE 1, 2006

This memorandum has been prepared in support of Professional Solutions Insurance Company's (PSIC) proposed rate level changes to be effective June 1, 2006 for Illinois physicians professional liability (PPL) coverage.

Currently, PSIC has a filed and approved rating plan in Illinois. Due to a limited volume of PSIC-specific premium and claims experience, we have reviewed the recent Illinois PPL rate filing of the ISMIE Mutual Insurance Company (ISMIE) in order to evaluate the overall adequacy of PSIC's proposed rate changes. ISMIE is the largest provider of PPL coverage in Illinois and hence, PSIC believes the ISMIE rate filing provides a representative source for estimating PSIC's expected PPL claims experience in Illinois.

The key assumptions underlying PSIC's proposed rate change are summarized below:

- 1) PSIC has assumed that the estimated expected losses and allocated loss adjustment expense (ALAE) for an Illinois base class physician reflected in the ISMIE rate filing effective July 1, 2005 is representative of the claims experience PSIC expects to incur on its Illinois book of business. See Exhibit 1 for details of the expected loss and ALAE pure premium derivation;

ILLINOIS CERTIFICATION FOR MEDICAL MALPRACTICE RATES

(215 ILCS 5/155.18)(3) states that medical liability rates shall be certified in such filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.

I, Roger Schlueter, a duly authorized officer of Professional Solutions Insurance Company, am authorized to certify on behalf of the Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

I, Chad Karls, a duly authorized actuary of M.I. Insurance, Inc. am authorized to certify on behalf of Professional Solutions Insurance Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

[Signature] CFO, Treasurer & Corporate Secretary 6/7/06
Signature and Title of Authorized Insurance Company Officer Date

Chad Karls, Consulting Actuary, FCAS, MAAA 6/8/06
Signature, Title and Designation of Authorized Actuary Date

Insurance Company FEIN 42 - 1520773 Filing Number PSIC-MD-2006 Rate

Insurer's Address 14001 University Avenue

City Clive State IA Zip Code 50325-8258

Contact Person's: Name and E-mail tmcusburger@ncmic.com

-Direct Telephone and Fax Number 515-313-4644 515-313-4476

- 2) Based on an AMA distribution of physicians by class in Illinois, we estimated an overall weighted average relativity for both PSIC's current class plan and ISMIE's class plan. Our analysis shows that, on an overall basis, ISMIE's pure premium should be decreased by 13.4% to offset the increased premium income to PSIC due to class plan differences. Exhibit 2 summarizes the details of this calculation;
- 3) PSIC currently uses a territorial plan different than that of ISMIE. Supported by an AMA distribution of physicians by county in Illinois, we estimated an overall weighted average rate relativity for both PSIC's territorial plan and ISMIE's territorial plan. Our analysis shows that, on an overall basis, ISMIE's pure premium should be decreased by 3.0% to offset the greater premium income to PSIC due to territory plan differences. Exhibit 3 summarizes the details of this calculation;
- 4) We have assumed that PSIC will incur the same costs for unallocated loss adjustment expense (ULAE) as its parent company, NCMIC Insurance Company. Exhibit 4 shows the selection of a 6.5% ULAE load as a percent of loss and ALAE at \$1,000,000/\$3,000,000 limits;
- 5) PSIC's proposed rate structure includes an explicit provision to fund the anticipated waiver of the reporting endorsement in the event of death, disability or retirement (DDR). Specifically, PSIC's proposed claims-made rates include a provision equivalent to 4.0% of loss and LAE to fund this exposure. This provision is identical to the provision contemplated in PSIC's currently filed and approved rates in Illinois;

- 6) Our indicated base rate change utilizes a target combined ratio of 98.6%, broken down as follows:

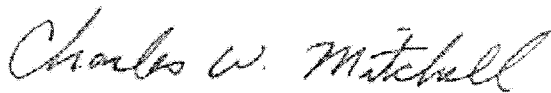
Provision	Ratio
Loss & LAE Ratio	70.6%
Underwriting Expenses	28.0
Target Combined Ratio	98.6%

Based on these assumptions, Exhibit 5 derives our indication of PSIC's manual base rate.

Respectfully submitted,



Chad C. Karls, F.C.A.S., M.A.A.A.
Consulting Actuary



Charles W. Mitchell, F.C.A.S., M.A.A.A.
Actuary

CCK/CWM/bas

May 1, 2006

H:\CLIENT\NCM\2006\May 06\PSIC Filing Memo-Illinois PPL.DOC

PROFESSIONAL SOLUTIONS INSURANCE COMPANY

ILLINOIS PHYSICIANS AND SURGEONS PROFESSIONAL LIABILITY

DERIVATION OF ISMIE MATURE CLAIMS-MADE LOSS & ALAE PURE PREMIUM

(1) ISMIE Mutual Insurance Company (ISMIE) Filed \$1,000,000 / \$3,000,000 Limits, Mature Claims-Made, Family Practice - No Surgery, Base Territory Manual Rate (Effective July 1, 2005)	16,940
(2) ISMIE Indicated Rate Change	0.1%
(3) ISMIE Filed Rate Change	0.0%
(4) ISMIE Indicated \$1,000,000 / \$3,000,000 Limits, Mature Claims-Made, Family Practice - No Surgery, Base Territory Manual Rate (Effective June 1, 2004); $(1) \times [1 + (2)] / [1 + (3)]$	16,954
(5) Assumed ISMIE Overall Average Credit	24.8%
(6) ISMIE Indicated \$1,000,000 / \$3,000,000 Limits, Mature Claims-Made Family Practice - No Surgery, Base Territory Collected Rate (Effective July 1, 2005); $(4) \times [1 - (5)]$	12,749
(7) ISMIE Target Loss and LAE Ratio (Including DDR)	86.6%
(8) ISMIE ULAE Load at \$1,000,000 / \$3,000,000 Limits as a Percentage of Loss and ALAE	4.1%
(9) ISMIE DDR Load at \$1,000,000 / \$3,000,000 Limits as a Percentage of Loss and LAE	4.8%
(10) ISMIE Target Loss and ALAE Ratio (Excluding DDR)	79.4%
(11) ISMIE Proposed Undiscounted Loss and ALAE, \$1,000,000 / \$3,000,000 Limits, Mature Claims-Made, Family Practice - No Surgery, Base Territory Pure Premium, Excluding DDR (Effective July 1, 2005); $(6) \times (10)$	10,119
(12) Trend Factor to June 1, 2006 Effective Date at 6.0% Annual Trend	1.055
(13) Trended to June 1, 2006 ISMIE, Proposed Undiscounted Loss & ALAE, \$1,000,000 / \$3,000,000 Limits Mature Claims-Made Family Practice - No Surgery, Base Territory Pure Premium, Excluding DDR; $(11) \times (12)$	10,675

PROFESSIONAL SOLUTIONS INSURANCE COMPANY

ILLINOIS PHYSICIANS AND SURGEONS PROFESSIONAL LIABILITY

DERIVATION OF CLASS PLAN OFFSET

Proposed PSIC Class	AMA Distribution of Physician Population	PSIC Relativity	Average ISMIE Relativity
1	3.8%	0.650	0.596
2	8.9%	0.850	0.732
3	17.9%	1.000	0.991
4	29.5%	1.250	1.055
5	5.0%	1.500	1.569
6	9.3%	1.650	1.496
7	2.5%	2.150	1.754
8	2.0%	2.500	1.973
9	8.3%	3.000	2.307
10	0.3%	3.350	2.912
11	0.7%	3.750	2.158
12	5.5%	4.500	4.269
13	5.5%	5.500	4.253
14	0.7%	6.750	7.231
Total	100.0%	1.867	1.617

Class Plan Offset = $1.617 / 1.867 = 0.866$.

PROFESSIONAL SOLUTIONS INSURANCE COMPANY

ILLINOIS PHYSICIANS AND SURGEONS PROFESSIONAL LIABILITY

DERIVATION OF OVERALL AVERAGE TERRITORIAL PLAN FACTORS

County	Number of Physicians Based on AMA	Percentage of Total Physicians	PSIC Relativity	ISMIE Relativity
Cook, Madison and St. Clair Counties	22,025	58.6%	2.088	1.950
Will County	671	1.8%	1.546	1.950
Lake County	2,382	6.3%	1.546	1.760
DuPage County	4,122	11.0%	1.546	1.475
Kane and McHenry Counties	1,068	2.8%	1.546	1.665
Jackson and Vermillion Counties	352	0.9%	1.364	1.760
Kankakee, Macon and Winnebago Counties	1,257	3.3%	1.364	1.475
Champaign, Sangamon, DeKalb, LaSalle, Ogle and Randolph Counties	1,929	5.1%	1.364	1.380
Bureau, Coles, Effingham and Counties	219	0.6%	1.000	1.380
Remainder of State	3,583	9.5%	1.000	1.000
Total	37,608	100.0%	1.791	1.737
Overall Average Territorial Plan Factors Relative to PSIC			1.000	0.970

**NCMIC Insurance Company
Professional Liability**

Selection of ULAE Load

Calendar Year	(\$000's)		(\$000's)		ULAE as a Percentage of Loss & ALAE
	Direct Paid ULAE ¹		Direct Paid Loss & ALAE ¹		
1995	1,639		31,210		5.3%
1996	976		31,210		3.1%
1997	1,679		25,759		6.5%
1998	717		23,405		3.1%
1999	1,637		24,946		6.6%
2000	1,652		20,541		8.0%
2001	1,454		23,271		6.2%
2002	1,493		24,621		6.1%
2003	1,686		25,058		6.7%
2004	² 1,670		24,566		6.8%
2005	^{2,3} 2,120		28,414 ⁴		7.5%
Total	16,723		283,001		5.9%
2003-2005	5,476		78,038		7.0%
Selected NCMIC ULAE Load at \$1,000,000/\$3,000,000 Limits					
6.5%					
Selected PSIC ULAE Load at \$1,000,000/\$3,000,000 Limits					
6.5%					

¹ Calendar years 1995-2003 are gross paid data from Annual Statements and may include small amounts of assumed loss in more recent years

² Calendar years 2004-05 is paid data on direct business with in-house claims handling only received from NCMIC

³ ULAE ratio may be higher than usual due to handling of LPP claims

⁴ Excludes LPP

PROFESSIONAL SOLUTIONS INSURANCE COMPANY

ILLINOIS PHYSICIANS AND SURGEONS PROFESSIONAL LIABILITY

DERIVATION OF MATURE CLAIMS-MADE REMAINDER OF STATE RATE

(1)	Trended to June 1, 2006 ISMIE, Proposed Undiscounted Loss & ALAE, \$1,000,000 / \$3,000,000 Limits Mature Claims-Made Family Practice - No Surgery, Base Territory Pure Premium, Excluding DDR	10,675
(2)	PSIC ULAE Load at \$1,000,000 / \$3,000,000 Limits	6.5%
(3)	PSIC DDR Load	4.0%
(4)	Adjustment to Reflect PSIC Class Plan	0.866
(5)	Adjustment to Reflect PSIC Territorial Plan	0.970
(6)	PSIC Undiscounted Loss & LAE, \$1,000,000 / \$3,000,000 Limits, Mature Claims-Made, Family Practice - No Surgery, Remainder of State Pure Premium (Including DDR); $(1) \times [1 + (2)] \times [1 + (3)] \times (4) \times (5)$	9,932
(7)	PSIC Target Combined Ratio	70.6%
	a) Loss & LAE Ratio (Including DDR)	<u>28.0%</u>
	b) Expense Ratio	
	c) Target Combined Ratio	98.6%
(8)	Indicated PSIC Mature Claims-Made Family Practice - No Surgery, Remainder of State Collected Rate, \$1,000,000 / \$3,000,000 Limits, Effective June 1, 2006; $(6) / (7a)$	14,065
(9)	Assumed Overall Average Credit	3.0%
(10)	Indicated PSIC Mature Claims-Made Family Practice - No Surgery, Remainder of State Manual Rate, \$1,000,000 / \$3,000,000 Limits, Effective June 1, 2006; $(8) / [1 - (9)]$	14,500

Neuman, Gayle

From: Tess Meusburger [tmeusburger@ncmic.com]
Sent: Thursday, August 24, 2006 8:45 AM
To: Anderson, Julie
Cc: Neuman, Gayle
Subject: RE: Professional Solutions Medical Malpractice Rate Filing - #PSIC-MD-2006 Rate
Attachments: RF 3 Revised.pdf

Julie,

Attached is a copy of the revised RF 3 Form. Let me know if you have any questions. I look forward to hearing from you in the near future.

Thank you
Tess Meusburger
NCMIC Group, Inc.
800-321-7015 ext 4644
515-313-4644
mail to: tmeusburger@ncmic.com

From: Anderson, Julie [mailto:Julie.A.Anderson2@illinois.gov]
Sent: Wednesday, August 23, 2006 8:27 AM
To: Tess Meusburger
Cc: Neuman, Gayle
Subject: RE: Professional Solutions Medical Malpractice Rate Filing - #PSIC-MD-2006 Rate

Ms. Meusburger,

I have received your response to my questions and am in the process of reviewing them. While that is in progress, I also need for you to resubmit the RF-3 form with the corrected written premium amounts. Thank you.

Julie Anderson
Assistant Casualty Actuary
IL Dept of Financial and Professional Regulation
Division of Insurance
Phone: 217-524-5421
Fax: 217-524-2271

Please note that my e-mail address has changed to: Julie.A.Anderson2@illinois.gov

From: Tess Meusburger [mailto:tmeusburger@ncmic.com]
Sent: Tuesday, August 22, 2006 10:04 AM
To: Anderson, Julie
Cc: Neuman, Gayle
Subject: FW: Professional Solutions Medical Malpractice Rate Filing - #PSIC-MD-2006 Rate

Julie,

8/24/2006

I've inserted my responses into your original email. Please let me know if you should have any further questions. I looked forward to hearing from you.

Thank you
 Tess Meusburger
 NCMIC Group, Inc.
 800-321-7015 ext 4644
 515-313-4644
 mail to: tmeusburger@ncmic.com

From: Anderson, Julie [mailto:Julie.A.Anderson2@illinois.gov]
Sent: Thursday, August 17, 2006 12:58 PM
To: Tess Meusburger
Cc: Neuman, Gayle
Subject: Professional Solutions Medical Malpractice Rate Filing - #PSIC-MD-2006 Rate

Ms. Meusburger,

My name is Julie Anderson and I am an actuary with the Illinois Division of Insurance. I have completed my initial review of Professional Solutions Insurance Company's medical malpractice rate filing mentioned above and I have a few items of an actuarial nature that I would like to address.

- The filing transmittal form submitted with this filing indicates that is \$8,282,824 of written premium for this program and 166 policies affected for this program. This implies an average premium per policyholder of \$49,897. Please confirm that these numbers are correct.

The written premium amount originally reported as \$8,282,824 was our countrywide PPL premium. I apologize for this error. The correct written premium for Illinois was \$5,122,946. The number of Illinois policies is correct at 166. This changes the average written premium per policyholder to \$30,861. Attached is a corrected Transmittal form.

- What is PSIC's current average manual rate that would correspond to the indicated manual rate on line (10) of Exhibit 5? The manual \$100/\$300 base rate for the remainder of state is \$5800. Applying the ILF for 1mill/3mill gives you a Claims Made Remainder of State Rate of \$14,500.
- In cases where there is insufficient data available, I understand the necessity of reviewing the rates of another established carrier to assist a company in the ratemaking process. However, please provide a further explanation of your analysis that ensures a rate decrease of this magnitude will not result in an overall inadequate rate for PSIC. Have other factors that affect rates been considered, such as mix of business for PSIC vs. ISMIE? Will PSIC be writing similar types of risks as ISMIE? Are there differences between PSIC and ISMIE in terms of expense ratios? What other factors, that affect rates, were considered? How were each of the differences between the companies used to adjust ISMIE rates to determine PSIC's requested rates?

Milliman provided this response: As documented in the actuarial filing memorandum, we have relied on the Family Practice-No Surgery rate obtained from the recent ISMIE rate filing. We have compared class and territorial plans in developing the class and territorial plan offsets on Exhibit 5. This comparison assumes that both insurers will target a representative share of the market based on the distribution of physicians by specialty/territory in Illinois published by the American Medical Association. We have stripped out ISMIE's average schedule on Exhibit 1 and incorporated PSIC's on Exhibit 5. The other expense items and the pricing target

incorporated into the analysis are specific to PSIC.

Thank you. Please provide your response directly to me by August 31, 2006. If you have questions, please don't hesitate to contact me either by phone or e-mail. I will be happy to discuss any questions you may have.

Julie Anderson
Assistant Casualty Actuary
IL Dept of Financial and Professional Regulation
Division of Insurance
Phone: 217-524-5421
Fax: 217-524-2271

Please note that my e-mail address has changed to: Julie.A.Anderson2@illinois.gov

This email message, including any attachments, is intended for the sole use of the addressee and it contains information that may be confidential, privileged and/or exempt from disclosure under applicable laws. Additionally, this email may contain information that is prohibited from disclosure by the Illinois Insurance Code 215 ILCS 5/101 et seq and any unauthorized disclosure may result in civil forfeitures or criminal penalties. This email is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message, Julie.A.Anderson2@illinois.gov, and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

8/24/2006

Neuman, Gayle

From: Tess Meusburger [tmeusburger@ncmic.com]
Sent: Wednesday, August 23, 2006 2:27 PM
To: Neuman, Gayle
Subject: RE: Rate/Rule Filing #PSIC-MD-2006 Rate
Attachments: 7IL PSIC Rating Manual May2006 Revised.pdf

Gayle,

I believe that on page 3 the attached revised manual I have addressed each of the points noted in your previous email. Let me know if you have any questions or if I need to make any other adjustments.

Thanks
Tess

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Wednesday, August 23, 2006 2:09 PM
To: Tess Meusburger
Subject: RE: Rate/Rule Filing #PSIC-MD-2006 Rate

Tess,

Thank you for your prompt attention. We request that the actual manual page address each of the points mentioned in my previous e-mail so that we will only have to reference the manual to answer any questions about the payment plan.

Your prompt response is appreciated.

From: Tess Meusburger [mailto:tmeusburger@ncmic.com]
Sent: Wednesday, August 23, 2006 11:44 AM
To: Neuman, Gayle
Subject: FW: Rate/Rule Filing #PSIC-MD-2006 Rate

Gayle,

Attached is the revised rating manual for your review. I have also inserted answers to your questions into your original email. Please let me know if you have any other questions. I look forward to hearing from you in the near future.

Thank you
Tess Meusburger
NCMIC Group, Inc.
800-321-7015 ext 4644
515-313-4644
mail to: tmeusburger@ncmic.com

8/23/2006

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Wednesday, August 16, 2006 7:50 AM
To: Tess Meusbarger
Subject: Rate/Rule Filing #PSIC-MD-2006 Rate

Ms. Meusbarger,

As you know, the new Medical Professional Liability law in Illinois, PA94-677 (Senate Bill 475), requires insurers to implement a quarterly premium payment installment plan as prescribed by the Secretary of the Illinois Department of Financial and Professional Regulation (IDFPR).

This email is to advise you of the requirements being prescribed by the Secretary and by the Director of the Division of Insurance regarding the quarterly premium payment installment plan you are required to offer to your insureds. In reviewing the filing referenced above, we note that your quarterly installment plan does not meet and/or address some or all of the following prescribed requirements.

Please amend your rate/rule manual's quarterly installment plan provisions to comply with all of the following prescribed requirements and send me your updated manual pages no later than August 24, 2006.

Quarterly Premium Payment Installment Plan Prescribed Requirements

All companies writing medical liability insurance shall file with the Secretary or Director a plan to offer each medical liability insured the option to make premium payments, in at least quarterly installments. For purposes of this requirement, insurers may, but are not required to, offer such premium installment plans to insureds whose annual premiums are less than \$500, or for premium for any extension of a reporting period. Quarterly installment premium payment plans subject to this Section shall be included in the initial offer of the policy, or in the first policy renewal occurring after January 1, 2006. Thereafter, the insurer may, but need not re-offer such payment plan, but if an insured requests such payment plan at a later date, the insurer must make it available. All quarterly installment premium payment plan provisions shall be contained in the filed rate and/or rule manual in a section entitled, "Quarterly Installment Option" or a substantially similar title. If the company uses a substantially similar title, the Rule Submission Letter must indicate the name of the section that complies with this requirement. All quarterly installment premium payment plans shall include the minimum standards listed below. Insurers may provide for quarterly installment premium payment plans that differ from these minimum standards, as long as such plans have terms that are at least as or more favorable than those listed below. This is noted in the revised rating manual under section VII titled Premium Payment Options.

- i) An initial payment of no more than 40% of the estimated total premium due at policy inception; Our standard has been to require 25% of the total premium due when initiating quarterly premium payments.
- ii) The remaining premium spread equally among the second, third, and fourth installments, with the maximum for such installments set at 30% of the estimated total premium, and due 3, 6, and 9 months from policy inception, respectively; This has been our standard with quarterly payments of 25%.
- iii) No interest charges; We do not charge interest for the opportunity to make quarterly premium payments.
- iv) Installment charges or fees of no more than 1% of the total premium or \$25.00, whichever is less; We do not charge installment fees.
- v) A provision stating that additional premium resulting from changes to the policy shall be spread equally over the remaining installments, if any. If there are no remaining installments, additional premium resulting from changes to a policy may be billed immediately as a separate transaction. This has been incorporated in the rating manual.

8/23/2006

Additionally, please confirm if the company implemented these changes as of July 1, 2006? If not, is the company planning to implement the changes as of the date the review of the filing is completed? The majority of our Illinois policies renew in July, so this filing was implemented as of 7-1-06 under your file and use rules.

Your immediate attention is requested.

Gayle Neuman
Property & Casualty Compliance, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

8/23/2006

Neuman, Gayle

From: Tess Meusburger [tmeusburger@ncmic.com]
Sent: Wednesday, August 23, 2006 11:44 AM
To: Neuman, Gayle
Subject: FW: Rate/Rule Filing #PSIC-MD-2006 Rate
Attachments: 7IL PSIC Rating Manual May2006 Revised.pdf

Gayle,

Attached is the revised rating manual for your review. I have also inserted answers to your questions into your original email. Please let me know if you have any other questions. I look forward to hearing from you in the near future.

Thank you
Tess Meusburger
NCMIC Group, Inc.
800-321-7015 ext 4644
515-313-4644
mail to: tmeusburger@ncmic.com

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Wednesday, August 16, 2006 7:50 AM
To: Tess Meusburger
Subject: Rate/Rule Filing #PSIC-MD-2006 Rate

Ms. Meusburger,

As you know, the new Medical Professional Liability law in Illinois, PA94-677 (Senate Bill 475), requires insurers to implement a quarterly premium payment installment plan as prescribed by the Secretary of the Illinois Department of Financial and Professional Regulation (IDFPR).

This email is to advise you of the requirements being prescribed by the Secretary and by the Director of the Division of Insurance regarding the quarterly premium payment installment plan you are required to offer to your insureds. In reviewing the filing referenced above, we note that your quarterly installment plan does not meet and/or address some or all of the following prescribed requirements.

Please amend your rate/rule manual's quarterly installment plan provisions to comply with all of the following prescribed requirements and send me your updated manual pages no later than August 24, 2006.

Quarterly Premium Payment Installment Plan Prescribed Requirements

All companies writing medical liability insurance shall file with the Secretary or Director a plan to offer each medical liability insured the option to make premium payments, in at least quarterly installments. For purposes of this requirement, insurers may, but are not required to, offer such premium installment plans to insureds whose annual premiums are less than \$500, or for premium for any extension of a reporting period. Quarterly installment premium payment plans subject to this Section shall be included in the initial offer of the policy, or in the first policy renewal occurring after January 1, 2006. Thereafter, the insurer may, but need not re-offer such payment plan, but if an insured requests such payment plan at a later date, the insurer must make it available. All quarterly installment premium payment plan provisions shall be contained in the filed rate and/or rule manual in a section entitled, "Quarterly Installment Option" or a substantially similar title. If the company uses a substantially similar

8/23/2006

title, the Rule Submission Letter must indicate the name of the section that complies with this requirement. All quarterly installment premium payment plans shall include the minimum standards listed below. Insurers may provide for quarterly installment premium payment plans that differ from these minimum standards, as long as such plans have terms that are at least as or more favorable than those listed below. This is noted in the revised rating manual under section VII titled Premium Payment Options.

- i) An initial payment of no more than 40% of the estimated total premium due at policy inception; Our standard has been to require 25% of the total premium due when initiating quarterly premium payments.
- ii) The remaining premium spread equally among the second, third, and fourth installments, with the maximum for such installments set at 30% of the estimated total premium, and due 3, 6, and 9 months from policy inception, respectively; This has been our standard with quarterly payments of 25%.
- iii) No interest charges; We do not charge interest for the opportunity to make quarterly premium payments.
- iv) Installment charges or fees of no more than 1% of the total premium or \$25.00, whichever is less; We do not charge installment fees.
- v) A provision stating that additional premium resulting from changes to the policy shall be spread equally over the remaining installments, if any. If there are no remaining installments, additional premium resulting from changes to a policy may be billed immediately as a separate transaction. This has been incorporated in the rating manual.

Additionally, please confirm if the company implemented these changes as of July 1, 2006? If not, is the company planning to implement the changes as of the date the review of the filing is completed? The majority of our Illinois policies renew in July, so this filing was implemented as of 7-1-06 under your file and use rules.

Your immediate attention is requested.

Gayle Neuman
Property & Casualty Compliance, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

- A. For insureds who practice in multiple states, the location of their primary practice will determine the base rate, with a premium debit of 25%, to be applied, based on their practice in the secondary state. The 25% debit will not be applied if the primary state's base rate is higher.
- B. If more than one location of practice exists within the same state, the rate from the highest territory will be applied.
- C. The insured must be licensed in all states where practicing.

VI. POLICY CANCELLATION

A. Cancellation By the Insured

The insured may cancel the policy by mailing or delivering notice to the Company stating when such cancellation shall be effective.

This policy will remain in full force and effect until its regular anniversary date unless the policy is cancelled sooner by the Company in accordance with the laws of the State of Illinois.

If the insured cancels the policy, earned premium shall be computed in accordance with the standard short rate tables and procedure. If the Company cancels the policy, earned premium shall be computed pro rata.

B. Cancellation/Non-Renewal By the Company

The Company may cancel or non-renew the policy in accordance with the insurance laws of the State of Illinois. Standard cancellation notice will be sent 60 days prior to cancellation, except that in the event of non-payment of premium, then not less than ten (10) days prior notice will be given.

VII. PREMIUM PAYMENT OPTIONS

- 1. Annual
- 2. Semi-Annual 50% prepayment required
- 3. Quarterly 25% prepayment required
- 4. Other payment options available upon request for large group accounts.

There is no installment fee charge for utilizing the premium payment options. Additional premiums for policy changes occurring during the current policy term shall be computed pro rata of the annual premium. If there are no remaining installments, additional premium resulting from changes in coverage may be due immediately as a separate transaction.

VIII. RENEWALS

The policy will be renewed upon receipt of the required premium on or before the date of each successive policy period. The renewal premium shall be based on rates in effect on the renewal or anniversary date. The applicable forms and endorsements must be made a part of the policy. IX. **SPECIAL PROVISIONS**

A. Retroactive Coverage

This extension covers incidents which occurred subsequent to the prior carrier's retroactive date, but which are neither known nor reported as of the inception date of the replacement coverage written by Professional Solutions Insurance Company. The insured may apply for the Retroactive Date (shown on the Coverage Summary) that is equal to the retroactive date shown on the previous policy.

Neuman, Gayle

From: Neuman, Gayle
Sent: Tuesday, August 22, 2006 10:38 AM
To: Anderson, Julie
Subject: FW: Professional Solutions Medical Malpractice Rate Filing - #PSIC-MD-2006 Rate
Attachments: Corrected industry_rates_pc_trans.pdf

Julie,

She will also need to submit a revised RF-3 with the corrected IL premium amount indicated.

From: Tess Meusburger [mailto:tmeusburger@ncmic.com]
Sent: Tuesday, August 22, 2006 10:04 AM
To: Anderson, Julie
Cc: Neuman, Gayle
Subject: FW: Professional Solutions Medical Malpractice Rate Filing - #PSIC-MD-2006 Rate

Julie,

I've inserted my responses into your original email. Please let me know if you should have any further questions. I looked forward to hearing from you.

Thank you
 Tess Meusburger
 NCMIC Group, Inc.
 800-321-7015 ext 4644
 515-313-4644
 mail to: tmeusburger@ncmic.com

From: Anderson, Julie [mailto:Julie.A.Anderson2@illinois.gov]
Sent: Thursday, August 17, 2006 12:58 PM
To: Tess Meusburger
Cc: Neuman, Gayle
Subject: Professional Solutions Medical Malpractice Rate Filing - #PSIC-MD-2006 Rate

Ms. Meusburger,

My name is Julie Anderson and I am an actuary with the Illinois Division of Insurance. I have completed my initial review of Professional Solutions Insurance Company's medical malpractice rate filing mentioned above and I have a few items of an actuarial nature that I would like to address.

- The filing transmittal form submitted with this filing indicates that is \$8,282,824 of written premium for this program and 166 policies affected for this program. This implies an average premium per policyholder of \$49,897. Please confirm that these numbers are correct.

The written premium amount originally reported as \$8,282,824 was our countrywide PPL premium. I apologize for this error. The correct written premium for Illinois was \$5,122,946. The number of Illinois policies is correct at 166. This changes the average written premium per policyholder to \$30,861. Attached is a

8/22/2006

corrected Transmittal form.

- What is PSIC's current average manual rate that would correspond to the indicated manual rate on line (10) of Exhibit 5? The manual \$100/\$300 base rate for the remainder of state is \$5800 . Applying the ILF for 1mill/3mill gives you a Claims Made Remainder of State Rate of \$14,500.
- In cases where there is insufficient data available, I understand the necessity of reviewing the rates of another established carrier to assist a company in the ratemaking process. However, please provide a further explanation of your analysis that ensures a rate decrease of this magnitude will not result in an overall inadequate rate for PSIC. Have other factors that affect rates been considered, such as mix of business for PSIC vs. ISMIE? Will PSIC be writing similar types of risks as ISMIE? Are there differences between PSIC and ISMIE in terms of expense ratios? What other factors, that affect rates, were considered? How were each of the differences between the companies used to adjust ISMIE rates to determine PSIC's requested rates?

Milliman provided this response: As documented in the actuarial filing memorandum, we have relied on the Family Practice-No Surgery rate obtained from the recent ISMIE rate filing. We have compared class and territorial plans in developing the class and territorial plan offsets on Exhibit 5. This comparison assumes that both insurers will target a representative share of the market based on the distribution of physicians by specialty/territory in Illinois published by the American Medical Association. We have stripped out ISMIE's average schedule on Exhibit 1 and incorporated PSIC's on Exhibit 5. The other expense items and the pricing target incorporated into the analysis are specific to PSIC.

Thank you. Please provide your response directly to me by August 31, 2006. If you have questions, please don't hesitate to contact me either by phone or e-mail. I will be happy to discuss any questions you may have.

Julie Anderson
Assistant Casualty Actuary
IL Dept of Financial and Professional Regulation
Division of Insurance
Phone: 217-524-5421
Fax: 217-524-2271

Please note that my e-mail address has changed to: Julie.A.Anderson2@illinois.gov

This email message, including any attachments, is intended for the sole use of the addressee and it contains information that may be confidential, privileged and/or exempt from disclosure under applicable laws. Additionally, this email may contain information that is prohibited from disclosure by the Illinois Insurance Code 215 ILCS 5/101 et seq and any unauthorized disclosure may result in civil forfeitures or criminal penalties. This email is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message, Julie.A.Anderson2@illinois.gov, and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

Neuman, Gayle

From: Tess Meusburger [tmeusburger@ncmic.com]
Sent: Tuesday, August 22, 2006 10:04 AM
To: Anderson, Julie
Cc: Neuman, Gayle
Subject: FW: Professional Solutions Medical Malpractice Rate Filing - #PSIC-MD-2006 Rate
Attachments: Corrected industry_rates_pc_trans.pdf

Julie,

I've inserted my responses into your original email. Please let me know if you should have any further questions. I looked forward to hearing from you.

Thank you
 Tess Meusburger
 NCMIC Group, Inc.
 800-321-7015 ext 4644
 515-313-4644
 mail to: tmeusburger@ncmic.com

From: Anderson, Julie [mailto:Julie.A.Anderson2@illinois.gov]
Sent: Thursday, August 17, 2006 12:58 PM
To: Tess Meusburger
Cc: Neuman, Gayle
Subject: Professional Solutions Medical Malpractice Rate Filing - #PSIC-MD-2006 Rate

Ms. Meusburger,

My name is Julie Anderson and I am an actuary with the Illinois Division of Insurance. I have completed my initial review of Professional Solutions Insurance Company's medical malpractice rate filing mentioned above and I have a few items of an actuarial nature that I would like to address.

- The filing transmittal form submitted with this filing indicates that is \$8,282,824 of written premium for this program and 166 policies affected for this program. This implies an average premium per policyholder of \$49,897. Please confirm that these numbers are correct.

The written premium amount originally reported as \$8,282,824 was our countrywide PPL premium. I apologize for this error. The correct written premium for Illinois was \$5,122,946. The number of Illinois policies is correct at 166. This changes the average written premium per policyholder to \$30,861. Attached is a corrected Transmittal form.

- What is PSIC's current average manual rate that would correspond to the indicated manual rate on line (10) of Exhibit 5? The manual \$100/\$300 base rate for the remainder of state is \$5800. Applying the ILF for 1mill/3mill gives you a Claims Made Remainder of State Rate of \$14,500.
- In cases where there is insufficient data available, I understand the necessity of reviewing the rates of another established carrier to assist a company in the ratemaking process. However, please provide

8/22/2006

a further explanation of your analysis that ensures a rate decrease of this magnitude will not result in an overall inadequate rate for PSIC. Have other factors that affect rates been considered, such as mix of business for PSIC vs. ISMIE? Will PSIC be writing similar types of risks as ISMIE? Are there differences between PSIC and ISMIE in terms of expense ratios? What other factors, that affect rates, were considered? How were each of the differences between the companies used to adjust ISMIE rates to determine PSIC's requested rates?

Milliman provided this response: As documented in the actuarial filing memorandum, we have relied on the Family Practice-No Surgery rate obtained from the recent ISMIE rate filing. We have compared class and territorial plans in developing the class and territorial plan offsets on Exhibit 5. This comparison assumes that both insurers will target a representative share of the market based on the distribution of physicians by specialty/territory in Illinois published by the American Medical Association. We have stripped out ISMIE's average schedule on Exhibit 1 and incorporated PSIC's on Exhibit 5. The other expense items and the pricing target incorporated into the analysis are specific to PSIC.

Thank you. Please provide your response directly to me by August 31, 2006. If you have questions, please don't hesitate to contact me either by phone or e-mail. I will be happy to discuss any questions you may have.

Julie Anderson
Assistant Casualty Actuary
IL Dept of Financial and Professional Regulation
Division of Insurance
Phone: 217-524-5421
Fax: 217-524-2271

Please note that my e-mail address has changed to: Julie.A.Anderson2@illinois.gov

This email message, including any attachments, is intended for the sole use of the addressee and it contains information that may be confidential, privileged and/or exempt from disclosure under applicable laws. Additionally, this email may contain information that is prohibited from disclosure by the Illinois Insurance Code 215 ILCS 5/101 et seq and any unauthorized disclosure may result in civil forfeitures or criminal penalties. This email is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message, Julie.A.Anderson2@illinois.gov, and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

Property & Casualty Transmittal Document (Revised 1/1/06)

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
	g. SERFF Filing #:	
h. Subject Codes		

3. Group Name	NCMIC Group, Inc.			Group NAIC #	2638
4. Company Name(s)	Domicile	NAIC #	FEIN #		
Professional Solutions Insurance Company	Iowa	11127	42-1520773		

5. Company Tracking Number	PSIC-MD-2006 Rate
-----------------------------------	-------------------

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
Tess Meusburger NCMIC Group 14001 University Ave Clive, IA 50325	Compliance Analyst	515-313-4644	515-313-4476	tmeusburger@ncmic.com
7. Signature of authorized filer				
8. Please print name of authorized filer		Tess Meusburger		

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	11.1 Medical Malpractice – Claims Made Only			
10. Sub-Type of Insurance (Sub-TOI)	11.00023 Physicians and Surgeons			
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	N/A			
12. Company Program Title (Marketing title)				
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)			
14. Effective Date(s) Requested	New:	7-1-06	Renewal:	7-1-06
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
16. Reference Organization (if applicable)	N/A			
17. Reference Organization # & Title	N/A			
18. Company's Date of Filing	May 25, 2006			
19. Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved			

Property & Casualty Transmittal Document—**20. This filing transmittal is part of Company Tracking #** PSIC-MD-2006 Rate**21. Filing Description** [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

Professional Solutions Insurance Company (PSIC) currently has on file with the Illinois Insurance Division a claims made professional liability rating manual for our Physicians and Surgeons Program. The Illinois Division of Insurance most recently approved this manual on September 15, 2004 in SERFF Filing SERT-5ZLKAQ639. At this time, PSIC would like to submit for your review and approval an amended claims made professional liability rating manual to replace the manual currently on file for our Physicians and Surgeons Program. Due to a limited volume of PSIC specific premium and claims experience, we have reviewed the recent Illinois physician's professional liability (PPL) rate filing of the ISMIE Mutual Insurance Company and believe the ISMIE rate filing provides a representative source for PSIC's expected PPL claims experience.

PSIC requests approval of a twenty eight point seven (28.7%) base rate decrease as follows:

Territory I Current Base Rate: \$16,976	Proposed Base Rate: \$12,110
Territory II Current Base Rate: \$12,567	Proposed Base Rate: \$ 8,967
Territory III Current Base Rate: \$11,089	Proposed Base Rate: \$ 7,911
Territory IV Current Base Rate: \$ 8,131	Proposed Base Rate: \$ 5,800

22.

Filing Fees (Filer must provide check # and fee amount if applicable)

[If a state requires you to show how you calculated your filing fees, place that calculation below]

Check #: N/A

Amount: No fee required

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

PC TD-1 pg 2 of 2

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	PSIC-MD-2006 Rate
2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	N/A

☐ Rate Increase ☒ Rate Decrease ☐ Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	File & Use					
4a.	Rate Change by Company (As Proposed)						
	Company Name	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
	Professional Solutions Insurance Company	-28.7%	-1,470,285	166	5,122,946	-28.7%	-28.7%
4b.	Rate Change by Company (As Accepted) For State Use Only						
	Company Name	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5. Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
5a	Overall percentage rate impact for this filing	-28.7%	
5b	Effect of Rate Filing – Written premium change for this program	-1,470,285	
5c	Effect of Rate Filing – Number of policyholders affected	166	

6.	Overall percentage of last rate revision	+50.3%
7.	Effective Date of last rate revision	September 15, 2004
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	Prior Approval

9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	Physicians and Surgeons Professional Liability Manual pages 1-12	[] New [X] Replacement [] Withdrawn	
02		[] New [] Replacement [] Withdrawn	
03		[] New [] Replacement [] Withdrawn	

Neuman, Gayle

From: Tess Meusburger [tmeusburger@ncmic.com]
Sent: Tuesday, June 20, 2006 8:36 AM
To: Neuman, Gayle
Subject: RE: Professional Solutions - Rate/Rule Filing #PSIC-MD-2006 Rate

Gayle,

Thank you for the information. So that our policyholders can take full advantage of this benefit we do plan to implement this rate decrease effective July 1, 2006. Please let me know if you have any questions.

Thank you
Tess Meusburger
NCMIC Group, Inc.
800-321-7015 ext 4644
515-313-4644
mail to: tmeusburger@ncmic.com

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Tuesday, June 20, 2006 8:03 AM
To: Tess Meusburger
Subject: RE: Professional Solutions - Rate/Rule Filing #PSIC-MD-2006 Rate

Tess,

Unfortunately, it will be months before the filing is completed. We have new procedures and new actuarial support, and basically everything is months behind.

From: Tess Meusburger [mailto:tmeusburger@ncmic.com]
Sent: Tuesday, June 20, 2006 7:21 AM
To: Gayle_Neuman@ins.state.il.us
Subject: FW: Professional Solutions - Rate/Rule Filing #PSIC-MD-2006 Rate

Gayle,

I wanted to check with you on the status of this filing. Can you update me on where it's at in the process and when we might be able to expect a decision? Any information you can provide me is appreciated.

Thank you
Tess Meusburger
NCMIC Group, Inc.
800-321-7015 ext 4644
515-313-4644
mail to: tmeusburger@ncmic.com

6/20/2006

From: Tess Meusburger
Sent: Monday, June 12, 2006 7:59 AM
To: 'Neuman, Gayle'
Subject: RE: Professional Solutions - Rate/Rule Filing #PSIC-MD-2006 Rate

Gayle,

Attached is a copy of the completed Illinois Certification for Medical Malpractice Rates form for your records. Also to answer your questions, Yes our company has a plan to gather statistics and the statistics will be reported to the National Independent Statistical Services. Please let me know if you should have any further questions.

Thank you
Tess Meusburger
NCMIC Group, Inc.
800-321-7015 ext 4644
515-313-4644
mail to: tmeusburger@ncmic.com

From: Neuman, Gayle [<mailto:GNeuman@idfpr.com>]
Sent: Wednesday, June 07, 2006 10:07 AM
To: Tess Meusburger
Subject: Professional Solutions - Rate/Rule Filing #PSIC-MD-2006 Rate

Ms. Meusburger,

We are in receipt of the above referenced filing submitted by cover letter dated May 25, 2006.

215 ILCS 5/155.18 states it shall be certified in this filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience. Please complete the attached certification form.

Indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used?

Your prompt attention is appreciated.

Gayle Neuman
Property & Casualty Compliance Unit, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

6/20/2006

ILLINOIS CERTIFICATION FOR MEDICAL MALPRACTICE RATES

(215 ILCS 5/155.18)(3) states that medical liability rates shall be certified in such filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.

I, _____ (Name of officer typed or printed) _____, a duly authorized officer of _____ (Name of Insurer typed or printed) _____, am authorized to certify on behalf of the Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

I, _____ (Name of actuary typed or printed) _____, a duly authorized actuary of _____ (Name of actuary firm typed or printed) _____ am authorized to certify on behalf of _____ (Name of Insurance Company) making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

Signature and Title of Authorized Insurance Company Officer

Date

Signature, Title and Designation of Authorized Actuary

Date

Insurance Company FEIN ____ - ____ Filing Number _____

Insurer's Address _____

City _____ State _____ Zip Code _____

Contact Person's:

-Name and E-mail _____

-Direct Telephone and Fax Number _____

Neuman, Gayle

From: Tess Meusburger [tmeusburger@ncmic.com]
Sent: Monday, June 12, 2006 7:59 AM
To: Neuman, Gayle
Subject: RE: Professional Solutions - Rate/Rule Filing #PSIC-MD-2006 Rate

Gayle,

Attached is a copy of the completed Illinois Certification for Medical Malpractice Rates form for your records. Also to answer your questions, Yes our company has a plan to gather statistics and the statistics will be reported to the National Independent Statistical Services. Please let me know if you should have any further questions.

Thank you
Tess Meusburger
NCMIC Group, Inc.
800-321-7015 ext 4644
515-313-4644
mail to: tmeusburger@ncmic.com

From: Neuman, Gayle [mailto:GNeuman@idfpr.com]
Sent: Wednesday, June 07, 2006 10:07 AM
To: Tess Meusburger
Subject: Professional Solutions - Rate/Rule Filing #PSIC-MD-2006 Rate

Ms. Meusburger,

We are in receipt of the above referenced filing submitted by cover letter dated May 25, 2006.

215 ILCS 5/155.18 states it shall be certified in this filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience. Please complete the attached certification form.

Indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used?

Your prompt attention is appreciated.

Gayle Neuman
Property & Casualty Compliance Unit, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

6/12/2006

ILLINOIS CERTIFICATION FOR MEDICAL MALPRACTICE RATES

(215 ILCS 5/155.18)(3) states that medical liability rates shall be certified in such filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.

I, _____ (Name of officer typed or printed) _____, a duly authorized officer of _____ (Name of Insurer typed or printed) _____, am authorized to certify on behalf of the Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

I, _____ (Name of actuary typed or printed) _____, a duly authorized actuary of _____ (Name of actuary firm typed or printed) _____ am authorized to certify on behalf of _____ (Name of Insurance Company) making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

Signature and Title of Authorized Insurance Company Officer

Date

Signature, Title and Designation of Authorized Actuary

Date

Insurance Company FEIN __ - _____

Filing Number _____

Insurer's Address _____

City _____ State _____ Zip Code _____

Contact Person's:

-Name and E-mail _____

-Direct Telephone and Fax Number _____

Neuman, Gayle

From: Donnewald, Pam
Sent: Tuesday, June 06, 2006 2:10 PM
To: Hessler, Mike
Cc: Gatlin, John; Neuman, Gayle
Subject: Professional Solutions Insurance Co (PSIC) med mal rate filing

Mike -- Eff 7-1-06, Professional Solutions filed for a 28.7% decrease to their med mal base rates.

I did a quick comparison for the following:

For a Territory 1 policy (i.e. Cook, Madison, St. Clair), for a Neurosurgeon, with \$1/\$3 million limits, most mature policy, the difference in the rate (sans any additional debits/credits) would be \$204,356 (compared to \$286,470 using old rates).

For a the same policy for an ObGyn Surgeon, the new rates would be \$166,512 (compared to \$233,420).

For Territory 4 (RoS), a Neurosurgeons' rates would be \$97,875 (compared to \$137,210).

For the same Territory/policy, an ObGyn Surgeon's rates would be \$79,750 (compared to \$111,801).

An interesting note is that Professional Solutions states that "due to a limited volume of PSIC specific premium and claims experience, they have reviewed ISMIE's recent filing eff 7-1-05 and based on that, they are taking the decrease.

If you think the Director would like the review of this filing to be expedited, then let me know. Otherwise, we will send it to Actuarial for their review as with any other filing, and Gayle will handle in the normal course of events. I think we should be careful of expediting a decrease like this when we have quite a few outstanding filings that have yet to be routed.

Thanks.